Stuart House

Stuart House International Limited

ANNUAL REPORT FOR THE YEAR ENDED FEBRUARY 29, 1968

DIRECTORS

William Earle Gordon	*Executive*	Islington, Ontario
Manuel Harris	*Chartered Accountant*	Toronto, Ontario
Earl William Hayne	*Executive*	Toronto, Ontario
John Bernard Joynt	*Management Consultant*	New York, N. Y.
Donald Gordon Lawson	*Investment Dealer*	Toronto, Ontario
Eric H. Haynes	*Executive*	Toronto, Ontario
Frank T. Sherk	*Executive*	Toronto, Ontario
John Stuart	*Executive*	Nassau, Bahamas
John Lyon Stuart	*Executive*	Islington, Ontario

CHIEF EXECUTIVE OFFICERS

President	John Stuart
Vice-President	John Lyon Stuart
Secretary-Treasurer	Manuel Harris

AUDITORS

Loftus A. Allen & Company .... Toronto, Ontario

BANKERS

The Royal Bank of Canada

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company, Toronto and Calgary

STUART HOUSE INTERNATIONAL LIMITED

HEAD OFFICE, 66 RIVALDA RD., WESTON, ONTARIO

Maritimes Div. Office	Halifax, N.S.	Lewis Hue, *Manager*
Quebec Div. Office	Montreal, Que.	Neal Nicholls, *Manager*
Ontario Div. Office	Weston, Ont.	Bill Harding, *Manager*
Prairie Div. Office	Winnipeg, Man.	Charlie Hoy, *Manager*
Pacific Div. Office	Vancouver, B. C.	Dick Walker, *Manager*

SUBSIDIARY COMPANIES

Belt Manufacturing Company of Canada Limited	Weston, Ontario
Bradford-Penn Oil Limited	Toronto, Ontario
Stuart House Products Limited	Toronto, Ontario
Stuart House Products Inc.	Fort Myers, Florida
Tip-Top Canners Limited	Burlington, Ontario
West, Taylor, Bickle & Company Ltd.	Norwich, Ontario

Stuart House

INTERIM REPORT

FOR THE SIX MONTHS ENDED AUGUST 31, 1968

STUART HOUSE INTERNATIONAL LIMITED

TO OUR SHAREHOLDERS

In this report covering the first six months' operations of your company, we can give you comparative figures for the like period in the previous year. This was not possible last year because of the change in our year end.

The highlights of this period are herewith outlined:–

	1968	1967
Net profit for the period before taxes	$166,325	$107,100
Net profit for the period after taxes	119,625	107,100
Net profit per share after providing for preferred dividends ..	20¢	17.5¢

No provision for corporation taxes was made in 1967 due to tax loss carry forward from 1967. In this period too, a portion of our tax loss carry forward has been allowed for.

Comparative sales figures indicate a decrease of 5.8% from $5,637,719 for the six months ending August 31, 1967 to $5,309,286 for the same period of 1968. Some of this decrease was due to the discontinuance of certain unprofitable product lines.

In previous years, our second six months period has never been as good as our first six months, but due to certain changes in our accounting methods, and due to the addition of new lines, we fully anticipate that our second six months will be as good as the first six months.

On behalf of the Board of Directors

JOHN STUART
President

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the Six Months Ended August 31, 1968
(with Comparative Figures for 1967)

			1968	1967
Sales:				
Warehouse sales			$4,153,192	$4,307,981
Commission Sales			1,156,094	1,329,738
			$5,309,286	$5,637,719
Gross margin on warehouse sales (after depreciation of $29,138 $37,156 in 1967)			979,669	919,872
Commission Income			77,392	69,803
			$1,057,061	$ 989,675
Selling and Administrative Expenses:			891,180	882,415
including the following	1968	1967		
Depreciation	$ 5,330	$ 4,889		
Executive Salaries	34,600	23,420		
Legal	3,831	5,389		
Directors' fees	1,200	1,300		
	$44,961	$34,998		
			$ 165,881	$ 107,260
Minority Interest Share of Profit or (Loss) in Subsidiary Company			(444)	160
Net Profit			$ 166,325	$ 107,100
Income Taxes			46,700	
Net Profit			$ 119,625	$ 107,100

SOURCE AND APPLICATION OF FUNDS

for the Six Months Ended August 31, 1968
(with Comparative Figures for 1967)

	1968	1967
Funds were provided by:		
Net Profit	$ 119,625	$ 107,100
Amounts charged to net profit which did not require cash outlays:		
Depreciation	34,468	42,045
Minority Interest	(444)	160
Proceeds under loan and special credit agreement	54,774	408,152
Sale of fixed assets	988	
	$ 209,411	$ 557,457
Funds were used for:		
Increase in equity of cash surrender value of life insurance	$ 5,713	$ 5,888
Refunds under Employees' Stock Purchase Plan		1,399
Repayment on loan and special credit agreement		450,000
Purchase of fixed assets	8,810	3,627
Dividends paid by S.H.I.L. to its shareholders	3,474	5,118
Purchase and cancellation of preferred shares	1,355	
Increase in working capital	190,059	91,425
	$ 209,411	$ 557,457

Stuart House

INTERIM REPORT

FOR THE SIX MONTHS ENDED AUGUST 31, 1967

STUART HOUSE INTERNATIONAL LIMITED

TO OUR SHAREHOLDERS

This report covering the first six months' operations of your company, is the first one based on our new fiscal year. Since no financial statements were prepared for a like period in previous years, it is impossible to give comparative figures.

The net profit for this six months was $107,100 or 17.5¢ per common share, after providing for preferred dividends. There is no provision for corporation taxes due to the tax loss carry forward resulting from the loss of $225,972 for the 15 months ending February 28, 1967.

While we are confident that results for the coming six months will show a considerable improvement over the same period last year, we must point out that we do not expect profits for the last half of this year to be as large as they were in the first six months. In fact, the December-February quarter has always been our lowest sales period, and there will be an operating loss in that quarter.

Comparative sales figures are available, and these indicate an increase of 6.1% from $5,312,130 for the six months ending August 31, 1966 to $5,637,719 in the same period of 1967. These are the consolidated figures for the same companies which are now in the group, so 1966 sales figures are after the elimination of sales for a subsidiary company subsequently disposed of late in 1966.

On behalf of the Board of Directors

JOHN STUART
President

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the Six Months Ended August 31, 1967

Sales		
Warehouse sales		$4,307,981
Commission sales		1,329,738
		$5,637,719
Gross margin on warehouse sales (after depreciation of $37,156)		$ 919,872
Commission Income		69,803
		$ 989,675
Selling and Administrative Expenses		$ 882,415
including the following		
Depreciation	$ 4,889	
Executive Salaries	23,420	
Legal	5,389	
Directors' fees	1,300	
	$34,998	
		$ 107,260
Minority Interest Share of Profit of Subsidiary Company		160
Net Profit (before provision for income taxes)		$ 107,100

Note:

(1) As a result of the loss carried forward from previous year's operations, under the provisions of the Income Tax Act no amount has been provided for income taxes on the income of the current period.

(2) The fiscal year end of the Company was changed from November 30th to the last day of February, effective February 28, 1967. There is no comparable period in the preceding fiscal year and therefore comparable figures have been omitted.

SOURCE AND APPLICATION OF FUNDS

for the Six Months Ended August 31, 1967

Funds were provided by:		
Net profit		$ 107,100
Amounts charged to net profit which did not require cash outlays:		
Depreciation	$42,045	
Minority Interest	160	42,205
Proceeds under loan and special credit agreement		408,152
		$ 557,457
Funds were used for:		
Increase in equity of cash surrender value of life insurance		$ 5,888
Refunds under Employees' Stock Purchase Plan		1,399
Repayment on loan and special credit agreement		450,000
Purchase of Fixed Assets		3,627
Dividends paid by S.H.I.L. to its shareholders		5,118
Increase in working capital		91,425
		$ 557,457

THE PRESIDENT'S REPORT

TO OUR SHAREHOLDERS

Your Company had its beginning as John Stuart Sales Company on July 2nd, 1936, so factually, and as of our fiscal year ended February 29th, 1968, we have just completed almost thirty-two years of operations. In the year just ended, substantial growth and development of all six companies that go to make up STUART HOUSE INTERNATIONAL LIMITED have enabled your company to set records in every phase of both domestic and export operations.

Dollar sales were the highest in your company's thirty-two year history, while operating profits were the second highest in history. Higher sales volume, more efficient operations and continued development of new products served to more than offset substantial increases in all costs.

ACQUISITIONS:

In recent years, several fine companies have been acquired by your company and have contributed to its steady growth. In the 15 month period ended February 28th, 1967, your company had its problems and for the first time in its history showed substantial losses. Your company has not only reversed this situation, but in fact, based on sales and profits, has experienced one of its BEST years.

EARNINGS:

Profits, after taxes, were up substantially at $131,440 as compared with an actual loss of $225,000. for the 15 months ended February 28, 1967. Net earnings per common share, after deduction of preferred dividends, were 20.8¢ per share, compared with a net loss per common share of 38.7¢ for the 15 month period ended February 28th, 1967; the difference being 59.5¢ per share.

CAPITAL STOCK:

There were 14,635 shares of 6% convertible preferred shares, and 583,970 shares of common stock outstanding at February 29, 1968. The original issue of the convertible preferred shares was made in 1964 and totalled 31,250 shares. The difference of 16,615 shares has come about through conversion and purchase for cancellation by the Company.

There are no immediate plans for the complete redemption of the preferred shares at this time. Our preferred shareholders can, of course, convert same at any time on the basis of two common for one preferred.

continued . . .

THE PRESIDENT'S REPORT CONT'D.

DIVIDENDS:

Dividends of 6% on your company's preferred shares have been paid regularly since their issue. Dividends of varying amounts have been paid on your company's common shares each year since their issue, except for the year ended February 29th, 1968, in which no dividend was paid. We do plan, subject to your directors' approval, on paying a dividend during the current year based on our earnings for the year ended February 29th, 1968 of not more than 60% of the earnings after payment of the dividend on the preferred shares. This dividend would be 10¢ per share. Your directors will finalize any decision re this particular dividend based on our six months figures to August 31st, 1968.

EMPLOYEES:

To the employees of Stuart House, whose number at peak periods totals 400, we express our appreciation of their loyalty, countless contribution and sustained dedication in meeting the year's challenges and demands.

MANAGEMENT:

In July of 1967, Dr. E.K. Martin, Ph.D. was appointed as Manager of Tip Top Canners Limited; a subsidiary company. In October of 1967 Mr. Eric Haynes; formerly Manager of Stuart House Products Limited, was appointed General Manager of Belt Manufacturing Company Limited, and was also made a director of Stuart House International Limited. Mr. Howard Maitman was made Comptroller of Belt Manufacturing. In January of 1968, Mr. John L. Stuart; Vice-President of Stuart House International Limited, assumed the Vice-Presidency of Stuart House subsidiaries; Stuart House Products Limited, Bradford-Penn Oil Limited, Tip Top Canners Limited, Belt Manufacturing Company Limited and West Taylor Bickle Co. Limited.

Mr. Earl Hayne, previously General Sales Manager of Stuart House International Limited was appointed General Manager of Stuart House International Limited/Stuart House Products Limited and Bradford-Penn Oil Limited. Mr. Blair Coulter, formerly Vancouver Division Manager, was appointed to the position of General Sales Manager of Stuart House International Limited. The duties of Mr. M. Harris, Comptroller of Stuart House International Limited, were extended to cover financial responsibility for all Stuart House subsidiary companies. Mr. D.W. Bruin, Assistant Comptroller of Stuart House International Limited assumed most of the day to day accounting responsibilities in Stuart House International Limited and Stuart House Products Limited.

SHAREHOLDERS:

We are appreciative of the many constructive suggestions and comments contributed by shareholders during the year and thank you for your support and expression of confidence and encouragement.

THE YEAR AHEAD:

The basic strength of your company as to sales coupled with the experience and "know how" of the Stuart House production people enabled your company in the year ended February 29, 1968 to overcome a very bad 15 months ended February 28th, 1967. With this same strength and with the added strength of what we have learned and instituted in recent months, with the help of our consulting people, we should certainly be able to meet the mounting challenge of our fast changing economy. With the continued valued support of our shareholders, employees, customers, producers and suppliers, we believe that our company will continue to prosper and progress in all areas of its operations in the years ahead.

On behalf of the Board of Directors,

JOHN STUART
President

SOURCE AND APPLICATION OF FUNDS

For the year ended February 29, 1968
(with comparative figures for the fifteen months ended February 28, 1967)

	1968 Twelve Months	1967 Fifteen Months
Funds were provided by:		
Operations –		
Net profit or (loss)	$131,440	($225,972)
Depreciation	82,558	121,401
Minority interest	1,568	6,216
Decrease in accumulated tax reductions applicate to future years	(8,300)	–
	$207,266	$ (98,355)
Employees' stock purchase plan –		
Amounts received on instalment purchases	–	1,515
Outright purchases	360	6,780
Contracts terminated	(7,195)	–
Proceeds on sale of subsidiary less net working capital of subsidiary as at date of disposal	–	4,514
Principal payments on the agreement of sale and mortgages receivable	7,193	13,693
Sale of fixed assets	10,201	17,771
Notes payable given on purchase of fixed assets	–	18,098
Debenture given on purchases of raw materials	–	892,181
Decrease in working capital	90,386	–
	$308,211	$856,197
Funds were used for:		
Additional investment in subsidiaries	$ 282	$ 2,241
Purchase of fixed assets	11,490	218,460
Increase in equity of life insurance	7,044	47,577
Dividend paid by subsidiary to minority shareholders	1,610	–
Dividends paid by Stuart House International Limited to its shareholders	9,553	129,621
Purchase and cancellation of preferred shares	49,320	–
Principal payments on notes payable	8,114	–
Payments on debenture and special credit agreement given on purchases of raw materials	220,798	–
Increase in working capital	–	458,298
	$308,211	$856,197

RESERVE FOR PURCHASE AND CANCELLATION OF PREFERRED SHARES

For the year ended February 29, 1968

Balance, beginning of year	$ –
Transferred from Earned Surplus	50,500
	$50,500
Transferred to Capital Surplus for purchase and cancellation of 6,690 Preferred Shares	49,320
Balance, end of year	$ 1,180

CAPITAL SURPLUS

For the year ended February 29, 1968

Balance, beginning of year	$ –
Transferred from Reserve for Purchase and cancellation of Preferred Shares	49,320
Excess of original issue price over cost of purchase for cancellation of 6,690 Preferred Shares	4,200
	$53,520

The attached notes form an integral part of these financial statements.

STUART HOUSE INT

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CONSOLIDATED FINANCIAL STAT

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ASSETS

Current Assets	1968	1967
Accounts receivable less allowance for doubtful accounts	$ 660,336	$ 652,980
Inventories of raw material, finished goods and supplies at lower of cost and market – Note 2	1,740,789	2,056,722
Due from shareholder	134,000	–
Income taxes receivable	16,275	82,947
Prepaid expenses	51,515	33,666
Total Current Assets	$2,602,915	$2,826,315
Investments		
Equity in cash surrender value of life insurance	$ 107,565	$ 100,521
Second Mortgage, 6%, due 1974	50,276	57,469
Total Investments	$ 157,841	$ 157,990
Fixed Assets		
Land, buildings, machinery and equipment – at cost	$1,044,444	$1,049,046
Less: Accumulated depreciation	690,676	614,009
Net Fixed Assets	$ 353,768	$ 435,037
Other Assets		
Stock issue expense	$ 17,500	$ 17,500
Excess of cost of subsidiaries over net book value of their assets	275,706	276,190
Total Other Assets	$ 293,206	$ 293,690
	$3,407,730	$3,713,032

APPROVED ON BEHALF OF THE BOARD

JOHN L. STUART
M.J. HARRIS
DIRECTORS

AUDITORS' REPORT

TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of STUART HOUSE INTERNATIONAL LIMITED and its Subsidiary Companies as at February 29, 1968 and the statements of consolidated profit and loss, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

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RY COMPANIES

MENTS AS AT FEBRUARY 29, 1968

figures for 1967)

LIABILITIES

	1968	1967
Current Liabilities		
Bank overdraft	$ 393,859	$ 260,258
Bank loans – secured	713,000	801,000
Accounts payable and accrued liabilities	593,400	772,015
Note payable	4,456	4,456
Total Current Liabilities	$1,704,715	$1,837,729
Deferred Liabilities – Note 3		
Loan and special credit agreement – secured	$ 671,383	$ 892,181
Deferred income taxes payable	–	8,300
Employees' stock purchase plan	–	7,195
Total Deferred Liabilities	$ 671,383	$ 907,676
Long Term Liability		
Notes payable, due 1969	$ 9,984	$ 18,098
Minority Interest in Subsidiaries	$ 51,265	$ 52,073
Shareholders' Equity		
Capital Stock – Note 4		
Authorized		
100,000 Preferred shares of $8.00 par value each, issuable in series		
1,000,000 Common shares without par value		
Issued		
14,635 6% cumulative redeemable convertible preferred shares Series A (21,325 in 1967)	$ 117,080	$ 170,600
583,970 Common Shares (583,910 in 1967)	939,870	939,510
	$1,056,950	$1,110,110
Reserve for purchase and cancellation of preferred shares – Note 5	1,180	–
Capital surplus – Note 5	53,520	–
Deficit	(141,267)	(212,654)
Total Shareholders' Equity	$ 970,383	$ 897,456
	$3,407,730	$3,713,032

The attached notes form an integral part of these financial statements – Auditors' report attached.

In our opinion these financial statements present fairly the financial position of the companies as at February 29, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Loftus A Allen & Co

CHARTERED ACCOUNTANTS

Toronto, Ontario, April 25, 1967

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Principles of Consolidation

The consolidated financial statements include all the Subsidiaries, which are:

	Jurisdiction in which organized	Ownership of Voting Stock
Stuart House Products Limited	Ontario, Canada	100.0%
Stuart House Products Inc.	Florida, U.S.A.	100.0%
Tip-Top Canners Limited	Ontario, Canada	96.5%
West, Taylor, Bickle & Company Limited	Ontario, Canada	100.0%
Bradford-Penn Oil Limited	Federal, Canada	100.0%
Belt Manufacturing Company of Canada Limited	Federal, Canada	100.0%

The consolidated earned surplus includes the net earnings prior to and subsequent to the actual acquisition date of Stuart House Products Limited and Stuart House Products Inc. which were acquired in 1960 in a pooling of interests. The earnings of Tip-Top Canners, Limited and West, Taylor, Bickle & Company Limited, both acquired in 1963, Bradford-Penn Oil Limited acquired in 1964 and Belt Manufacturing Company of Canada Limited acquired in 1965 are included in the consolidated earned surplus from the date of acquisition only.

2. Inventories

Two of the subsidiary companies have changed their method of determining the cost of finished goods inventory. This adjustment to the closing inventory has resulted in an increase in the consolidated net income of the current year before income taxes of approximately $700.

3. Deferred Liabilities

LOAN AND SPECIAL CREDIT AGREEMENT

A principal supplier of one of the subsidiaries has agreed to supply raw materials and grant special credit terms on a revolving and reducing basis until 1977 with interest payable at current bank rates. Up to and including January 31, 1968, the supplier will grant ten months' credit in excess of its normal trade terms on all purchases up to an aggregate of $750,000. Annually thereafter, the credit term will be reduced by one month and the maximum credit by $75,000.

The company has issued a debenture to secure the loan and special credit agreement in the amount of $750,000. Under the terms of this debenture, the company has covenanted that it will not declare or pay any common dividends (current year's common dividend excluded) which

(a) would be in excess of sixty percent of the net income of the company after paying or providing for all taxes and dividends on its outstanding preference shares, or

(b) would reduce the consolidated working capital of the company to an amount which is less than the amount from time to time owing under the special credit agreement.

In addition, the company is restricted from acquiring any fixed assets in any year, the amount of which is in excess of the consolidated net income of the company after taxes and dividends.

INCOME TAXES

In 1964 and 1965 income taxes were deferred as a result of claiming capital cost allowance for tax purposes in excess of depreciation provided in the financial statements. In 1967 and 1968 the depreciation provided in the financial statements exceeded the claim for capital cost allowance resulting in the reversal of the deferred tax credit of $8,300.

EMPLOYEES' STOCK PURCHASE PLAN

The company has received instalments under an Employees' Stock Purchase Plan, the details of which are outlined in Note 4.

4. Capital Stock

The Preferred Shares Series A are redeemable at $8.48 per share, and may be purchased (if obtainable) at a price not exceeding $8.48 for cancellation, convertible prior to May 1, 1974 into Common Shares on the basis of 2 Common Shares for each Preferred Share Series A and non-voting except in certain circumstances. During the year, 6,690 of these shares were purchased for cancellation thereby reducing the issued preferred shares. At February 29, 1968, 29,270 Common Shares were reserved for the conversion privileges attached to the preferred shares.

Under the terms of the Stock Option Plan, options have been granted to key employees of the company and its subsidiaries to purchase a total of 22,500 Common Shares. The right to exercise the options will accrue on various dates from 1967 to 1970 and terminate on July 31, 1970. Accordingly, 22,500 Common Shares have been reserved for the Stock Option Plan at February 29, 1968.

The company has established a Stock Purchase Plan for the purchase of Common Shares by the employees of the company and its subsidiaries. Pursuant to this plan, payment for the shares shall be made either in full or by equal monthly instalments over a three-year period. During the year, 60 shares were paid in full and issued, and the balance of the contracts were terminated by the employees.

5. Reserve and Capital Surplus

During the year, the sum of $50,500 was set aside by the Directors out of the ascertained net profit of the company for the purpose of purchase and cancellation of a maximum of 7,000 Preferred Shares. By the end of the fiscal year, $49,320 had been transferred to Capital Surplus pursuant to Section 61 of the Canada Corporations Act for the actual purchase of 6,690 Preferred Shares. A balance of $1,180 remains in the Reserve for the purchase and cancellation in the future of not more than 310 Preferred Shares.

The $49,320 transferred to Capital Surplus has been augmented by $4,200, being the difference between the original issue price and the cost of the 6,690 Preferred Shares purchased and cancelled.

6. Income Taxes

No provision has been made for income taxes in some of the subsidiaries due to the loss carry forward provisions of the Income Tax Act. Had income taxes been provided on all subsidiaries, they would have amounted to approximately $50,000 in excess of the $7,613 shown on the Statement of Profit and Loss.

STATEMENT OF

CONSOLIDATED PROFIT AND LOSS

For the year ended February 29, 1968
(with comparative figures for the fifteen months ended February 28, 1967)

			1968 Twelve Months	1967 Fifteen Months
Sales				
Warehouse sales			$ 7,873,676	$10,114,800
Commission sales			2,668,617	2,862,089
			$10,542,293	$12,976,889
Gross Margin on warehouse sales				
(after depreciation of $71,568 in 1968 and $85,061 in 1967)			$ 1,675,228	$ 1,863,442
Commission Income			155,866	168,966
			$ 1,831,094	$ 2,032,408
Selling and Administrative Expenses			1,695,441	2,266,547
including the following –	**1968**	**1967**		
Depreciation	$ 10,992	$ 36,340		
Executive salaries	82,341	68,825		
Legal	11,680	9,548		
Mortgage interest	–	201		
Director's fees	2,600	3,200		
	$107,613	$118,114		
			$ 135,653	$ (234,139)
Income Taxes – Note				
Reversal of deferred tax credit			(8,300)	–
Income tax expense or recovery			7,613	(14,383)
Adjustment of prior years			3,332	–
			$ 2,645	$ (14,383)
			$ 133,008	$ (219,756)
Minority Interest share of the profits of subsidiary companies			1,568	6,216
Net Profit or (Loss)			$ 131,440	$ (225,972)

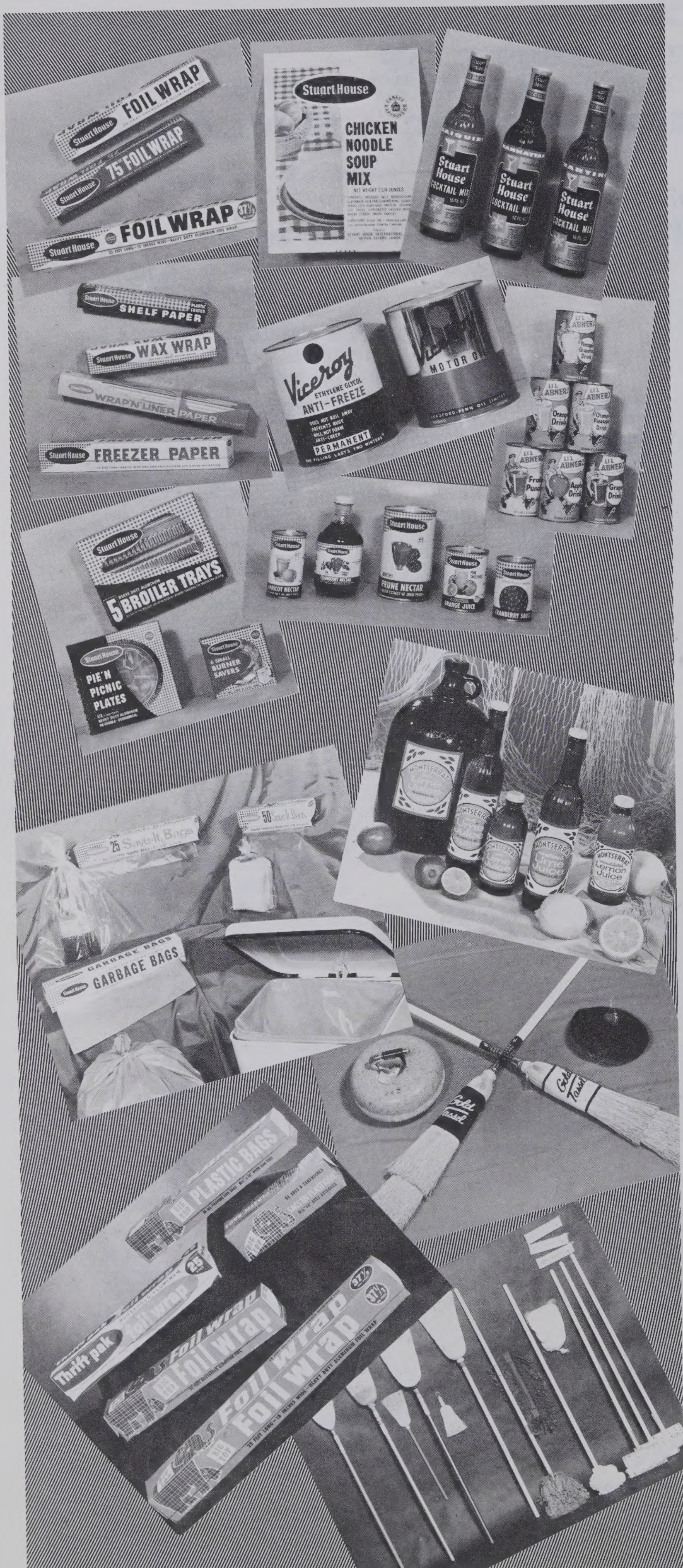
STATEMENT OF

CONSOLIDATED DEFICIT

For the year ended February 29, 1968
(with comparative figures for the fifteen months ended February 28, 1967)

	1968 Twelve Months	1967 Fifteen Months
Earned Surplus or (Deficit), beginning of period	($212,654)	($132,284)
Profit on sale of subsidiary	–	10,655
	($212,654)	$ 142,939
Net profit or (loss)	131,440	(225,972)
	($ 81,214)	$ (83,033)
Dividends Paid		
Preferred	$ 9,553	$ 13,096
Common	–	116,525
	$ 9,553	$ 129,621
	($ 90,767)	($212,654)
Transferred to reserve for purchase and cancellation of preferred shares	50,000	–
Deficit, end of period	($141,267)	($212,654)

The attached notes form an integral part of these financial statements.



STUART HOUSE PRODUCTS

Aluminum Foil Products:–

Stuart House Foil Wrap
Stuart House Burner Savers
Stuart House Pie N Picnic Plates
Stuart House Broiler Trays
Stuart House Baking Cups
Big Top Foil Wrap
Thrift Pak Foil Wrap

Paper & Film Products:–

Stuart House Shelf Paper
Stuart House Wrap N Liner Paper
Plastic Garbage Bags
Save-it Plastic Food Bags
Stuart House Plastic Wrap
Stuart House Freezer Paper

Food Products:–

Li'l Abner Fruit Drinks
Montserrat Fruit Juices
Stuart House Drink Powders
Stuart House Cocktail Mixes
Stuart House Cranberry Sauces
Stuart House Fruit Nectars
Stuart House Gravy Mixes
Stuart House Soup Mixes

Broom & Mop Products:–

Mop-it Sponge Mops
Stuart House Brooms
West, Taylor, Bickle Brooms & Whisks
West, Taylor, Bickle Damp Mops
Dustmaster Dust Mops
Gold Tassle Curling Brooms

Leather Products (Belt Mfg.):–

School Supplies
Brief Cases
Billfolds & Wallets
Clutch Purses
Toy Cases

PRINCIPALS' PRODUCTS

In addition to manufacturing and selling its own products, the company also acts as a manufacturer's agent representing many leading companies in the sale of their products, including:–

Bonomo Candy Division
Gold Medal Candy Corporation
Brooklyn, New York
(Bonomo Turkish Taffy)

Chap Stick Company
Lynchburg, Virginia
(Chap Stick & Chap Ans)

Dietetic Food Company Inc.
Brooklyn 7, New York
(DIAMEL Dietetic Foods)

Frenchette
Division of Carter-Wallace Inc.
New York, N.Y.
(Peacock Vegetable Juices & Steak Baste)

Dr. Grabow Pre-Smoked Pipes
Greensboro, North Carolina
(Briar Pipes)

W. T. Hawkins Limited
Belleville, Ontario
(Cheezies, Popcorn, Potato Chips)

Larus & Brother Company, Inc.
Richmond 17, Virginia
(Edgeworth, Sabot, Holiday Pipe Tobaccos)

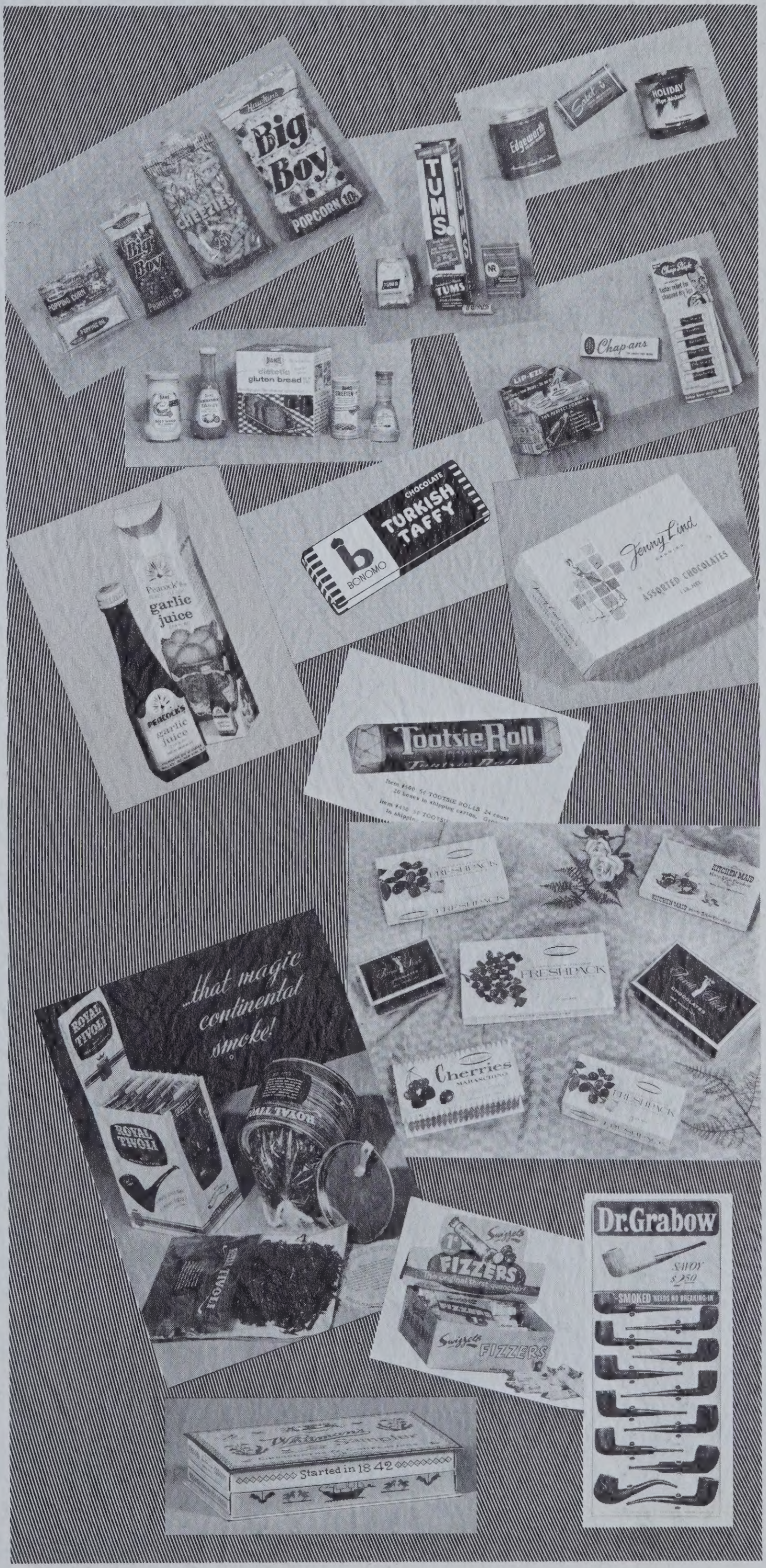
Lewis-Howe Company
St. Louis 2, Missouri and Windsor, Ontario
(Tums & Nature's Remedy)

Matlow Brothers Limited
New Mills, England
(English Confectionery)

Poul Petersen Cigar & Tobaksfabriker
Horsens, Denmark
(Royal Tivoli Tobacco)

Sweets Company of America, Inc.
Hoboken, New Jersey
(Tootsie Pops & Tootsie Rolls)

Jenny Lind Candies
Toronto, Ontario
(Jenny Lind, Pattersons, Whitman's Sampler)



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